

Kiwis need a better deal on internet

By Simon Moutter

Chorus' latest half-year financial report shows it spent just \$28 million on copper network capital expenditure, less than a tenth of the \$297 million spent on fibre capex.

The Commerce Commission will shortly make a decision that will have a big impact on how much we all pay to use the internet or landline.

It will be setting charges that internet service providers (such as Spark, Vodafone and Slingshot) are required to pay the monopoly access provider (Chorus) for internet and landline connections over the copper network.

The stakes are high: a change of just \$1 per month per line in charges translates into \$100 million of value over the five-year regulatory period, and the commission is proposing to increase the key wholesale access charge for a copper line by \$5 a month.

That's a transfer of half a billion dollars from internet and landline customers to Chorus.

If you're among the 90 per cent of New Zealanders who rely on the old copper network for their internet or landline access, then around half what you pay in your monthly bill to your service provider already ends up with Chorus.

So, the Commerce Commission has a major influence on the price you pay.

As happens too often in complicated regulatory processes, the voice of the consumer has not been heard much in this process.

That's why Spark New Zealand launched our BeCounted campaign. We wanted to explain to New Zealanders what makes up the cost of accessing the internet and to give them an easy way of sending a submission.

To date, more than 50,000 people have visited the website and sent in submissions. This has greatly exceeded our most optimistic expectations and shows how important better value access to the internet is to New Zealanders.

Until late last year, the commission said it would set the Chorus charges about \$10 a month lower than previously.

This would have been a great outcome for consumers, and it prompted a price war among service providers in anticipation of the new charges taking effect.

The result was cheaper, faster plans, heaps more data (including new unlimited data plans), great discounts on associated services and investment in new services such as Lightbox.

However, in December last year the commission surprised everyone by backtracking on its previous position and proposing charges go back up by about \$5 a month – and refusing to rule out backdating the new charges when they finally come into effect later this year.

What's more, it said this \$5 increase would also apply to basic landline connections that did not have internet access. In response, Spark and most other service providers recently had to increase their prices by a few dollars to pass this on.

Our analysis shows the commission's proposed wholesale charges are almost 80 per cent higher than the median of comparable countries and 60 per cent higher than the next highest country (Germany).

That works out at up to \$180 more a year for every internet

and landline customer.

On the flip side, it's important to remember that as a country we are already paying Chorus to replace its copper network with a fibre network, through the Government's UFB and rural broadband initiatives.

These subsidies should actually mean that Chorus needs less funding to run its legacy copper network than its peers in comparable countries, which are operating and replacing their networks without taxpayer subsidies.

By way of illustration, Chorus' latest half-year financial report shows it spent just \$28 million on copper network capital expenditure, less than a tenth of the \$297 million spent on fibre capex.

We strongly believe the onus should be on the commission to explain why, in terms that ordinary consumers can understand, New Zealanders should pay more. Unfortunately, it has so far avoided doing so.

We accept this is a complex process, but it boils down to whether the Commerce Commission is prepared to act in the best interests of consumers and ensure Chorus monopoly charges are not way out of line with the rest of the world.

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